

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors

August 12, 2019

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met at 27316 Spectrum Way, Oak Ridge, Texas, on August 12, 2019, in accordance with the duly posted notice of the meeting, with a quorum of directors present, as follows:

Jon Vallery, President
Frank Moore, Vice President
James Ridgway, Director
Glenn Kourik, Director

and the following absent:

Brendon Keith, Secretary.

Also present were Bill Russell, Mike Williams, Jason Hajduk, Drew Masterson, Sergeant Glen Arnold, Charles Saxe, Jr., Zohib Ali, Mark Fusca, George Easton, Clayton Harry, David Laney, Kammy Reece, Fred Sunderman, and Lori G. Aylett.

The President called the meeting to order and declared it open for such business as might regularly come before it.

1. The President read the following announcement of recording and publication of recording on the District's website: "The District records its meetings and at the conclusion of the meeting posts the recording on the District's website. The audio recording can be found under the 'Meetings' tab of the website, www.rayfordroadmud.com. Members of the Board of Directors and attendees of the Board meeting may also be recording the meeting."

2. Minutes of the meeting held July 8, 2019 were presented for the Board's review and approval. The Board noted several corrections. Upon motion duly made, seconded and unanimously carried, the Board approved the minutes as amended.

3. Sergeant Glen Arnold presented a law enforcement report and the following statistics: there were no District calls; 518 contract calls; 379 traffic contacts; 89 reports taken; 8 felony arrests; 13 misdemeanor arrests; four crashes; and 13 charges filed. Sergeant Arnold reported the officers will be at the schools on the first days of class. The new vehicles are striped and will be in service before the week's end. Sergeant Arnold reported the District's contract is fully staffed. Director Kourik stated that he would like more presence in the neighborhood. The Board discussed the patrol and the presence of officers in the Imperial Oaks subdivision. The officer confirmed that there have been eight burglaries of a habitation in the District, so they are trying to patrol heavily within the subdivision.

4. The attorney presented and read a letter of resignation from Brendon Keith. He sent his best wishes for the Board's continuing success. Upon unanimous vote, the Board accepted the resignation of Director Keith.

Director Vallery proposed that former director Charles Saxe be appointed to fill the vacancy created by the resignation. Director Moore then made a motion to appoint Charles Saxe to the Board. The motion was seconded by Director Kourik. Director Ridgway requested the opportunity to discuss the appointment in more detail. He stated that he would like to give the public more opportunity to see if there was an interest by others in serving on the Board. One resident stated his opinion that the Board should wait thirty days to see if there were any people interested in serving. The resident stated that he was not personally interested in serving. Director Vallery stated his opinion that there was no reason to wait to appoint a director, as a qualified and experienced candidate had already expressed the willingness to serve. Director Vallery noted that Charles Saxe had served on the Board some years ago and was very familiar with the District. A second resident addressed the Board and stated that she thought the District should wait and that she might potentially be interested in serving. Director Vallery noted that just a few months ago, another vacancy had opened up, and the District postponed its decision and no other candidates expressed an interest. Director Vallery again stated that he did not see a reason to postpone the decision as a qualified candidate, Mr. Saxe, was willing to serve and had experience.

Director Ridgway stated his opinion that the Board should have an opportunity to hear the qualifications of any potential candidates. Charles Saxe discussed his qualifications. He stated that he was interested in managing the District in a fiscally responsible manner. Charles Saxe stated that he had good experience, as he had served on the Board for several years and was very familiar with it.

Charles Saxe addressed the Board members and stated that he was qualified, willing and ready to serve. He stated that he had previously been on the Board of Directors but had resigned due to a job commitment, and his circumstances have changed. Director Ridgway again stated his opinion that the District should wait and assess interest with the community before filling the vacancy. Director Vallery stated that he disagreed and noted that a qualified person was willing to serve. The chair called for a vote, and upon a vote of 3-1, with Director Ridgway opposing, the Board voted to adopt the attached Order Appointing Director, approved the letter of qualifications, statement of appointed officer, and oath of office of Mr. Saxe. Mr. Saxe acknowledged receipt of a questionnaire regarding potential conflicts of interest and a memorandum regarding completion of Public Information Act/Open Meetings Act training. Mr. Saxe participated in the remainder of the meeting.

5. There were no citizen comments for the Board's consideration.

6. The Best Trash representative was not present as she was called out of town for another meeting. She asked that the Board place the item back on the September agenda, at which time she would be present to give the quarterly report to the Board.

7. Bill Russell presented the bookkeeper's report, a copy of which is attached. After this meeting, the debt service fund balance will stand at \$1,387,741.23. The capital projects fund will stand at \$91,986.46. The general fund will stand at \$3,062,274.99. Expenses exceeded revenues for the first two months of the fiscal year by \$196,643.92. The bookkeeper reported that 2018 taxes were 99.49% collected. After discussion, with a vote of 4-0, with Director Ridgway abstaining, the Board approved the bookkeeper's report as presented and authorized payment of the District's bills. The Board members questioned why Director

Ridgway had abstained from voting. Director Moore stated that the Board had previously worked as a team, and Director Ridgway's actions were prolonging the meetings unnecessarily. Director Moore noted that consultants do not work for free. Director Ridgway noted that he works for the voters not for the Board members and he stated that his participation in the Board's business was done in the nature of fostering a spirited debate about issues.

8. The Board reviewed the proposed tax rate for 2019. Drew Masterson addressed the Board and noted that the District's total assessed value had increased by \$30 million to \$727,800,763. The average homestead increased from \$190,605 in 2018 to \$201,764 this year. This District's parity rate, which is the tax rate necessary to produce the same amount of dollars on an average homestead, is \$0.4818 per \$100 assessed valuation. The financial advisor noted that the District is fully developed, so next year, the District will be subject to the requirements of Senate Bill 2. This means that the District will not be able to increase the tax revenues brought in on the average homestead by more than 3.5% without triggering an automatic rollback election. The financial advisor also noted that after paying this year's debt service, the District will have 42% of next year's debt service in reserve. After consideration of all these factors, the financial advisor recommended that the District publish a tax rate of \$0.50 per \$100 assessed valuation, with \$0.35 per \$100 assessed valuation being attributed to debt service and \$0.15 per \$100 assessed valuation being attributed to maintenance and operations. The financial advisor reminded the Board that setting the tax rate is a two step process, and tonight the District will be authorizing publication of the proposed tax rate, with a public hearing to be held at next month's regular meeting.

The financial advisor next discussed the potential for a refunding bond transaction. The financial advisor noted that in today's market, the District could refund currently callable bonds and achieve a present value savings net of all transaction costs of approximately 4.77%. If the District waits until October to approve a Preliminary Official Statement, more bonds of the District will be currently callable. The financial advisor was attempting to gage the interest of the Board in doing a refunding transaction. If the Board is interested in the transaction, items could be placed on a future agenda for the Board's consideration. The financial advisor suggested that the Board consider approval of a Preliminary Official Statement in October, a bond sale in November, and a closing in December.

Discussion returned to the proposed tax rate. The chair called for a vote. Upon a vote of 4-0, with Director Ridgway abstaining, the Board authorized publication of a proposed tax rate of \$0.50 per \$100 assessed value, with \$0.35 attributable to debt service and \$0.15 attributable to maintenance tax. The public hearing on the proposed tax rate will be conducted at the District's upcoming September meeting.

The financial advisor asked for the Board consensus about whether they were interested in pursuing a proposed refunding. It was the Board's consensus that the attorney place items on the October agenda for the Board to consider approval of a Preliminary Official Statement and select an underwriter.

9. Lori Aylett presented an attorney's report. She stated that four of the firm's clients including the District, Montgomery MUD 19, Southern Montgomery County MUD, and Montgomery County MUD 99 had agreed to participate in the preparation of an amicus brief to the Supreme Court on the litigation between the San Jacinto River Authority and

the City of Conroe. Paul Radich of the law firm participated in the Board meeting by telephone. He reported on the status of the SJRA/Conroe litigation. The majority of the dispute was resolved in the Court of Appeals. A majority of those issues were resolved in favor of the SJRA. Conroe appealed portions of the decisions adverse to it to the Texas Supreme Court. The SJRA chose not to appeal issues that were decided adverse to it. The City of Conroe has appealed to the Supreme Court, stating its position that the breach of contract issue should be addressed in Montgomery County. The SJRA has argued that the contract proceedings are properly adjudicated under the Expedited Declaratory Judgment Act, which places venue in Travis County. The Texas Supreme Court has discretion to consider Conroe's appeal. Both the SJRA and the Attorney General of the State of Texas have asked that the Supreme Court not exercise its discretionary review. The court requested a full briefing on the matter, and all the briefing is complete. The parties are waiting to see if the Texas Supreme Court will take up the case.

Fred Sunderman of Spring Creek Utility District thanked the Board members for the information. He stated that the only uncontrollable part of their budget was the money paid to SJRA. The attorney noted that the remainder of items relating to the District's potential participation in litigation should be discussed in closed session.

10. Mike Williams presented an operator's report. The District billed \$305,855.05 to customers for services rendered. The operator took 10 bacteriological samples, all of which were acceptable. The District accounted for 96% of the water produced. The District served 3,821 customers, and 3,594 customers received all services including garbage. The sewage treatment plant operated at 55% of capacity with no permit violations.

The operator requested write-off of four accounts in the amount of \$320.89, and the Board concurred.

The operator reported new water bill language required by new legislation will be on the customer bills in September. In response to a question from the Board, the operator noted that summer is the busiest time for water leaks. The District has two crews working full time to repair leaks.

After discussion, with a vote of 4-0, with Director Ridgway abstaining, the Board approved the operator's report as presented.

11. Mike Williams presented a parks and recreational facilities report. There were 11 calls regarding issues in the parks. Five calls were for the pavilion, five calls were for the ball fields, and one call was received for information. Mr. Williams reported he removed a child's fort built in the wetlands off of Willowcreek. The operator reported he removed graffiti from the District water lines on the Drainage District No. 6 bridge.

12. Jason Hajduk presented an engineer's report. The engineer reviewed the attached long-term management plan with the Board. The engineer has reviewed the Phase 3 sanitary sewer clean-out and television videos for Imperial Oaks, Section 5. The engineer prepared two cost estimates for repair of all of the items noted. According to what the engineer observed, the majority of lines are still on good shape with the exception of sags in almost every run. The first option for the rehabilitation work for critical areas only was \$169,907. The second cost estimate would be to rehabilitate the entire section at a cost of \$799,170. After discussion,

upon a vote of 4-0, with Director Ridgway abstaining, the Board voted to proceed with the less expensive option and authorized the engineer to advertise for bids to repair the critical lines.

The engineer next presented an updated feasibility study for out-of-district service to Kadiwal. The developer could not secure easements from his neighbors to get District service to the property, and the neighbors noted that they would only provide easements if the District provided sanitary sewer services. The engineer updated the feasibility study to describe the impact to the District. If the District provided service, even charging out-of-district rates and a multiplier, the District could only anticipate receiving \$143 in additional revenue per month. In addition, some of the property owners are air conditioning repair and mechanic shops, which could introduce illicit discharges to the District plant. The engineer recommended that if the Board was willing to consider providing service to them, that they provide sampling wells. In addition, the engineer recommended that the developer be responsible for all costs of connection. The attorney noted that the District would need to have a separate out-of-district contract with each party. It was the Board's consensus that they were not interested in providing sewer services to these out-of-district customers, due to all of the extenuating circumstances.

After discussion, upon a vote of 4-0, with Director Ridgway abstaining, the Board approved the engineer's report as presented.

13. There was no action taken on the SJRA conveyance of facilities.

14. At 8:43 p.m., the Board convened in executive session pursuant to Texas Government Code §551.071 to receive advice from its attorneys regarding litigation. At 9:07 p.m., the Board reconvened in regular session. Upon a vote of 4-0, with Director Ridgway abstaining, the Board authorized the attorneys to move forward with the preparation of an amicus brief aligning with the position of with the Attorney General of the State of Texas that the Texas Supreme Court should not take up discretionary review of the SJRA and Conroe litigation.

There being no further business to come before the Board, the meeting was adjourned.



Secretary